

Our mission

To inspire, align, and mobilize action in response to the climate crisis. We work with business, government, youth and the broader community to advance practical, science-based solutions for significant greenhouse gas emission reductions.

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Comments – Center for Climate Protection CPUC Customer Choice Project – Draft Gap Analysis/ Choice Action Plan, October 2018

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Introduction

The Center for Climate Protection (Center) is a California 501(c)(3) nonprofit organization founded in 2001 with a mission to inspire, align, and mobilize action in response to the climate crisis. In the mid-2000s the Center identified Community Choice Aggregation (CCA or “Community Choice”) as the most powerful measure under local control for rapid, significant GHG reductions. The Center began CCA advocacy in Sonoma County which led to the launch in 2014 of the second CCA in California, Sonoma Clean Power. Since then, the Center’s work has focused on spreading Community Choice throughout the state via its program, Clean Power Exchange.

The Center is in general agreement that CPUC’s core principles of decarbonization, reliability, and consumer protection are sound principles. Since 2010, Community Choice has proven that it outperforms the IOUs in delivering on these core principles. Thus, it is fulfilling its promise as the single most powerful measure under local control to rapidly and significantly reduce greenhouse gas (GHG) emissions. Similar to our previous comments submitted to the CPUC on the customer choice matter, these comments are submitted in the context of customer choice as it relates to Community Choice Aggregation.

Our perspective is that the Choice Project emerged not in response to solar, Direct Access (DA), energy service providers (ESPs) or any other customer self-generation activity, all of which have been around for over ten years. The Choice Project came about in response to the rapid and robust emergence of Community Choice agencies. In 2014 there were two operational CCAs; by 2016 there were five, and today there are nineteen.

The premise and objectives of the Customer Choice Project are largely faulty. Rather than subvert the core principles of consumer protection, reliability, and decarbonization, Community Choice is in the vanguard.

CCAs are not leading to any form of 2000-2001 deregulation crisis, as has been explicitly charged in previous project documents. Thus, the aim of the Customer Choice Project is fundamentally misguided relative to CCA.

The following comments are in direct response to issues presented in the context of “Key Categories” identified in the Gap Analysis:

- Consumer Protection
- Duty-to-Serve (Provider of last Resort)
- Reliability and Energy Procurement

Each comment begins with the heading from the Gap Analysis (*in italics*) of the section in question with the key category noted.

Category: *Duty to Serve and Consumer Protection*

Topic: *Emergency Planning And Response*

The Gap Analysis states that *“The IOUs are also responsible for grid safety and resilience, during normal operations and catastrophic events. With greater choices...current safety controls and protocols become more difficult to fund and to coordinate in times of crisis.”* This statement is a mischaracterization. CCA customers pay the same charges that bundled customers pay to support the transmission and distribution system. Furthermore, the IOUs remain in control of those systems and serve as the primary point of contact during an emergency. There is no change to the funding for maintenance of the electricity transmission and distribution system under the relevant PU Code with regard to Community Choice Aggregation, and CCAs are readily capable of coordinating with IOUs on any emergency situation. In fact, we contend that CCAs add value to the ability of local government to respond to crises.

Specifically, in the case of Sonoma Clean Power (SCP), the CCA service territory in which our organization is headquartered, the following actions and activities were undertaken in response to the wildfire event of October 2017.

SCP:

- Lent their Program Director full time to the California Governor's Office of Emergency Services (CalOES) to oversee all watershed protection and restoration during and immediately after the fires;
- Donated \$1 million to 20 charities providing recovery support in the immediate aftermath of the fires;
- Reimbursed all electric charges for every emergency shelter in Sonoma and Mendocino Counties;
- Coordinated with PG&E to reimburse all fire survivors for their outstanding balances on bills;
- Recruited PG&E to co-sponsor a \$20 million fund to support the Advanced Energy Rebuild program that incentivizes customers with incentive packages of up to \$17,500 to rebuild super energy efficient, sustainable homes;

- Ran a series of regional coordination meetings to promote building housing in downtown Santa Rosa to reduce dependency on high fire-risk greenfield sites for new and replacement housing;
- Coordinated with PG&E to reimburse solar NEM customers for accumulated balances;
- Launched a series of regional classes on net-zero design and construction and recruited PG&E to supply instructors (these are still ongoing);
- Asked the California Energy Commission to allow use of a 20-year pre-purchase of Sonoma Clean Power's 100% RPS renewable energy EverGreen product to form an alternate compliance path for the 2020 Title 24 code (still pending);
- Coordinated with PG&E on the design of an educational facility on all-electric, zero carbon building design and equipment. It is expected to open in the summer of 2019.

Category: *Consumer Protection/Duty to Serve*

Topic: *Provider of Last Resort*

As demonstrated in the previous crisis, the State of California is ultimately the temporary provider of last resort when any LSE fails. After all, it was the IOUs that failed during 2001 and only the State was positioned to act as POLR and bail everyone out. Although we reject the premise of the Green Book that CCA dynamics can or will cause an energy crisis, any LSE can fail for any number of reasons. Therefore the question is: what is the best course of action if, for whatever reason, a POLR is needed?

We recommend an analysis regarding a mechanism that would formally recognize and authorize the state to step in as the POLR on a temporary basis until the events which triggered that necessity are resolved.

Category: *Consumer Protection*

Topic: *Price Disclosure: All LSE Residential Rates and Product Offerings*

Issue: *There is no single centralized location for residential consumers to compare rates and product offerings, including terms of service, of all the LSEs.*

It makes little sense to attempt to create a single, centralized website that would endeavor to track and display the moment to moment changes and updates to this kind of information. The Center questions the utility of providing information that is outside a given customer's actual available choices. For example, what benefit would a customer who lives in San Diego derive from knowing the rate options available to someone who lives in San Francisco when that customer cannot participate in that program?

Such a website could be useful if it were simply a portal to each individual CCA, where a customer can then find the correct information relevant to their service territory. The site could have some general overarching information about CPUC authority and requirements among all

CCA and IOU options to provide clear rate comparisons. As long as CCAs and IOUs are required to present accurate up-to-date information, and as long as these requirements are enforced, customers will have access to the information. The customer would now have two tools to make informed choices: 1) go directly to their relevant IOU/CCA website; 2) find their relevant IOU/CCA via the centralized site.

Category: *Consumer Protection Topic: Public Purpose Programs*

Issue: *With greater disaggregation of providers and increasing departure of customers from the IOUs, will public purpose programs, such as energy efficiency and RD&D receive historic levels of funding that have been included in IOU rate as a flat fee on a volumetric basis?*

We do not see how CCAs are implicated in this concern in any way. Public purpose charges are collected on the delivery side of the bill. Customers continue to pay that portion of the bill uninterrupted. How is there an issue specific to Community Choice departing load?

That said, in our view, there is no compelling rationale for why IOUs should be the only recipients of public purpose funds. Although there are current mechanisms in the Code that enable CCAs to “apply for” or “elect to” secure such funds, it is our contention that program funding should be made available on an equal basis to Community Choice agencies.

Category: *Duty to Serve*

Topic: *Distribution Grid Services*

Issue: *AB 327 (Perea, 2013) introduced a new framework for the grid integration of distributed energy resources (DERs) to accelerate growth of DERs to meet California’s climate goals with greater emphasis on identifying optimal locations of DERs, deferral of grid infrastructure, and enabling enhanced grid services from DERs. With the disaggregation of retail electric providers, we should analyze how CCA customers can participate in DER-based distribution system infrastructure deferrals, in particular assess whether there are any barriers that prevent these customers from realizing the full benefits of DERs.*

The Center is concerned by the assumption that only the IOUs will be engaging in distribution resource activities. This erroneous assumption is exacerbated because, presently, CCAs do not have access to an objective, collaborative, good-faith distribution system operator who they can trust to act as a partner in identifying and deploying or implementing distribution system IDER measures.

The analysis points to CCA automatic enrollment as somehow problematic from a DRP perspective. Automatic enrollment is in the first place a given, a known fact. In the second place, it is a fleeting occurrence at the time of CCA service launch. On its face this appears from our perspective to be a de minimus issue.

Category: *Duty to Serve/Reliability and Resource Procurement Topic: Rate Design*

Issue: *Are the current IOU rates structured to send the proper price signals to consumers?*

Although this issue is framed as a way to address consumer behavior in order to save energy, in our view it's an over-reach by CPUC that would put CCAs, DA, and IOUs under the same regulatory umbrella. Trying to force CCAs to adopt the same TOU rates as IOUs is an encroachment on CCA autonomy, and the law does not give CPUC that authority.

Category: *Duty to Serve/Energy and Resource Procurement Topic: Resource Adequacy*

Issue: *Is reliability sufficiently addressed through resource adequacy requirements?*

Resource adequacy is a concept based on the notion that the only tool in the toolkit with regard to ensuring reliability is to ensure that supply meets demand. This is a 20th century model. We now have greater ability to manipulate demand. The need for spinning reserves is increasingly diminished given that instantaneously deployable storage is becoming a practical and affordable reality, particularly as RA comes into play in the context of peak usage events. The concept of demand adequacy needs to be given greater consideration as the conversation about reliability proceeds. An update to Public Utilities Code Section 380 may be required.

Category: *Duty to Serve*

Topic: *Role of the Investor-Owned Utilities in a Disaggregated Market*

Issue: *The Choice Paper investigated operating retail choice models... As California expands the number of options for service including the possibility of full retail competition, what will be the role of the incumbent IOUs during the transition period and beyond?*

IOUs should serve a role as T&D service providers to a diverse market of IDER players. There are several important functions that the IOUs can provide, including optimizing the grid for IDER growth, electric vehicles, storage, resiliency, safety, and further innovation.

The analysis should focus exclusively on how IOUs might be compensated for a role exclusively as T&D service providers to a diverse market of IDER players.

Category: *Reliability and Resource Procurement*

Topic: *Contracting for Reliability and Resource Requirements*

Issue: *Will there be continued support of the resource procurement necessary for long-term supply, renewable resources and BTM technology penetration to meet statewide goals for reliability, decarbonization and affordability?*

CCAs, just like IOUs, are obligated to comply with legislative requirements as administered by the CPUC. These include the RPS, RA, AB 1110 GHG accounting/reporting, AB 2514 storage mandate, etc. To date CCAs have not only complied with all of these obligations, they have in fact exceeded them, approached the mandates as a floor from which to do better, not a ceiling beyond which they need not proceed. This is not how such mandates have historically been approached in the regulated monopoly paradigm. CCAs should have maximum latitude on IRPs so long as they align with the CPUC's role of setting overarching policy goals/targets.

CCAs operate in a competitive marketplace and have a responsibility to their customers to offer superior products and services. Their continued existence depends on maintaining that positive relationship on an ongoing basis. This dynamic benefits all ratepayers and has system-wide benefits.

Category: *Reliability and Resource Procurement*

Topic: *Electrification of Transportation, Buildings & Appliances*

Issue: *As California moves to 100% carbon neutrality by 2045, the Renewable Portfolio Standard (RPS) will no longer be effective enough to meet statutory requirements for carbon reduction...We must make more advancements to electrify buildings and electrify transportation since these sectors are responsible for the bulk of emissions.*

CCAs are well-positioned to help lead the way on these fronts because of their close relationship to the local government and community. All CCAs are evaluating innovative programs tailored to their local community needs. This is groundbreaking in itself and is where “customer choice” in the electricity sector is taking on new dimensions. IOUs with enormous service territories are not well-suited to engage on a local level to develop such programs. For example:

- **Marin Clean Energy** – MCE's Low-Income Families and Tenants (LIFT) program offers income qualified multifamily dwelling owners and tenants an opportunity to save money and electricity while improving quality of life for the residents.
- **Sonoma Clean Power** – SCP's DriveEV program offers customers thousands in savings when they choose to drive plug-in hybrid or all-electric vehicles. Their smart-charger give-away and GridSavvy demand response program takes things even further with LSE load management functionality.
- **Lancaster Choice Energy** – LCE is collaborating with its local transit agency and an electric bus manufacturer located in Lancaster to provide appropriate bus-charging rates. Additionally, LCE recently launched the first CCA energy efficiency program in SCE service territory. The program enables LCE customers to access free and low-cost ways they can reduce energy use, including weatherization, efficiency upgrades, and special financing programs for energy saving appliances and equipment.

Additional Comments

A point on terminology.

The use of the term and abbreviation “behind-the-meter” (BTM) is problematic. Behind-the-meter implies a perspective: the perspective of the regulator or grid operator.

There are essentially two parties in this conversation about customer choice, each with their own valid perspective. One is the regulator/grid operator, and the other is the customers who increasingly are players in the what has historically been the exclusive purview of the regulator/grid operator – generation, storage, etc.

From the perspective of the customer, the regulator/grid operator is behind the meter. We at the Center have experienced many situations, such as public meetings with elected officials and local government staff, where confusion has been expressed about this term. The question typically comes up as “which side is ‘behind’ the meter?” It is a good question because again, it depends on one’s perspective.

Using “behind-the-meter” implies a bias toward the perspective of the regulator/grid operator. Whether inadvertent or not, the term implies that it is the perspective of the regulator/grid operator that is more important or valid. The Center asserts that this message, that the customer is less important than the regulator/grid operator, is the wrong message to move California into its clean energy future.

RECOMMENDATION: CPUC stop using the term “behind-the-meter (BTM)” and replace it with the clearer and more descriptive “customer-side-of-the-meter” (CSM). The other side of the meter is not “front” of the meter and that term is not used in the Draft Gap Analysis. The correct term for that, when needed, would be “utility-side-of-the-meter” (USM).